THE LABOR MARKET IN ROMANIA AND ITS INFLUENCING FACTORS

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Abstract: The objectives of this research of the labor market are: the analysis of the current situation generated by the current context of the labor market in Romania, the highlighting of gaps in the labor force deficit, the effects generated by the labor force deficit, but also the outline of strategies aimed at reducing the deficit, the outline of strategies that highlight a series of actions to recover and balance the workforce deficit.

The acceleration of the digitization process, demographic pressures, competition, but also the change in employee preferences, are elements that disrupt and cause major fluctuations in the labor market. To reduce the labor shortage, a series of measures can be taken, such as: proper motivation and increasing the attractiveness of certain sectors of activity, increasing living conditions in certain geographical regions, developing training programs that meet adaptability requirements, mediation in order to prepare the population for the changes that have occurred.

JEL classification: A11, O40, C50, F63

Key words: labor market, unemployment, active population, inflation, macroeconomics

1. INTRODUCTION

An analysis of Romania's economy since joining the European Union highlights the fact that those conditions were created that led to a two-fold increase since 2007, thus recording a constant progress, which placed us in 12th place at the end year 2023, thus being ahead of Portugal, Finland and the Czech Republic in terms of the GDP recorded in 2015, 2020 and 2023 respectively, but also the degree of labor productivity recorded in 2022, respectively 2023, as we can see in the statistical analysis represented in table 1.

Table no. 1. Representation of GDP and labor productivity

Country	PIB – the year 2015 [mld. EURO]	PIB – the year 2020 [mld. EURO]	PIB – the year 2023 [mld. EURO]	labor productivity – the year 2022 [%]	labor productivity – the year 2023 [%]
Germany	2569	3371	3869	107	105
France	2000	2366	2645	118	114
Italy	1616	1774	1911	106	97
Spain	1078	1206	1329	99	113
Nedherlands	644	776	943	115	117
Sweden	640	684	560	119	135
Belgium	468	493	551	131	86
Poland	367	501	659	85	115
Austria	301	388	450	117	124
Danmark	248	305	378	125	72
Greece	229	183	210	71	107
Finland	193	236	269	114	78
Portugal	185	208	241	77	127
Ireland	172	329	505	222	88
Czechia	163	214	279	90	84
ROMANIA	130	207	288	78	75
Hungary	105	139	172	75	89
Slovakia	73	91	112	86	82
Croatia	51	56	69	76	111
Luxembourg	47	63	80	166	57
Bulgaria	43	59	87	54	89
Slovenia	41	49	61	86	86
Lithuania	33	49	69	86	90
Cyprus	24	25	29	86	76

Latvia	23	32	31	75	86
Estonia	20	29	38	85	89
Malta	12	16	19	94	93

Source: Eurostat https://ec.europa.eu/eurostat

2. THEORETICHAL BACKGROUND

We can see that a faster economic development is registered in the areas where foreign direct investments are more significant, but also those areas that have university centers, services, the IT area, these were noted especially in Bucharest, but also the industrial areas that predominate in North – West and West. In this way, we can express in numbers the main geographical regions of Romania in which significant progress was registered at the end of 2023, as shown in table 2.

Tabel nr. 2. the expression of economic progress by geographical regions

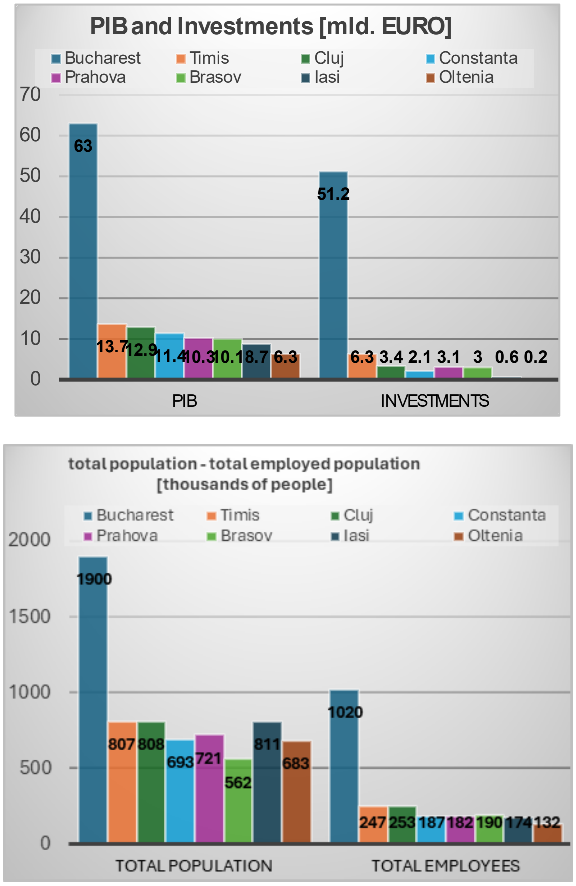
region	PIB [mld. EURO]	population [thousands people]	employees [thousands people]	the level investments [mld. EURO]
Bucharest	63,00	1900	1020	51,20
Timis	13,70	807	247	6,30
Cluj	12,90	808	253	3,40
Constanta	11,40	693	187	2,10
Prahova	10,30	721	182	3,10
Brasov	10,10	562	190	3,00
Iasi	8,70	811	174	0,60
Oltenia	6,30	483	262	0,20

Source: National Institute of Statistics, The National bank of Romania, PwC Analysis

Against the background of the disparity recorded in recent years, Romania currently registers an uneven distribution regarding the development of the significant economy in certain counties of the country.

Regarding labor productivity, we can note that in 2023, compared to the previous year, there was progress, although Romania still remains at the bottom of the ranking, this fact is due to insufficient investments in infrastructure, but also certain legislative barriers that prevent and discourage foreign investments.

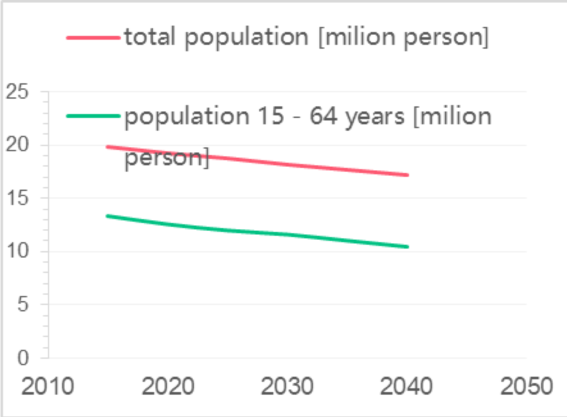
Figure no. 1. representation of the Gross Domestic Product by region and the number of active - inactive persons

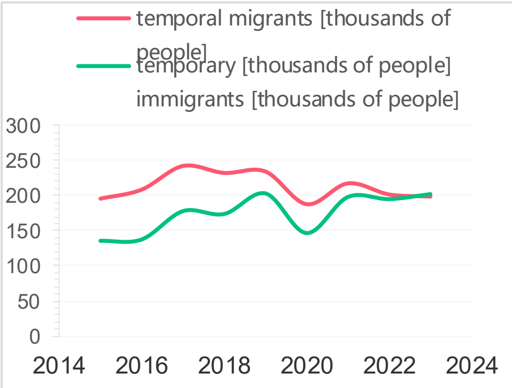


Source: National Institute of Statistics, The National bank of Romania, PwC Analysis

From the analyzes carried out, the fact emerged that in Romania the population decreased by one million people between 2010 and 2020, and estimates indicate that between 2020 and 2030 there will be another decrease of another million, reporting made for the active population included in the age gap of 15-64 years.

Figure no. 2. representing the total number of the population, total migrants - immigrants





Source: Eurostat, European Commission, PwC Analysis, National Institute of Statistics, United National Organization

1. The main cause that leads to the decrease in the number of the active population, as can be seen in figure 2, is explained by the high level of emigration, so in recent years a share of 70% of the citizens who emigrated are represented by the active population, those included in the age between 14 - 44 years. In recent years, there has been an improvement in the labor force deficit, which is partially offset by immigrant citizens from the non-EU area.

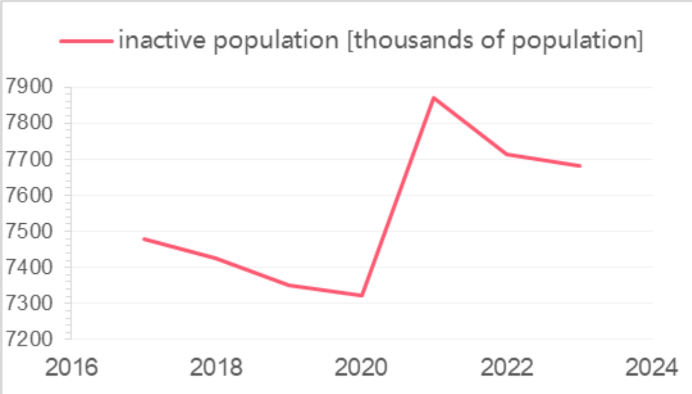
2. The migration of active people aged between 15 and 64 years between 2015 and 2023 is presented in figure 2.

3. RESEARCH METHODOLOGY

The basis of this research is the analysis and processing of data related to the labor market, especially the deficits recorded in this market, but also the strategies that are the basis of the balancing of this market. The aspects it can generate both in the medium and long term of the phenomenon generated by non-EU workers are considered

Analyzing the labor market from the perspective of the fluctuations recorded regarding the inactive population, we find that Romania ranks second in the European Union, after Italy, this aspect is explained by the fact that the period of COVID-19 triggered an increase in the number of the inactive population by approximately 400,000 people during 2020 - 2023, as we can see in figure 3.

Figure no. 3. representation of the number of inactive population

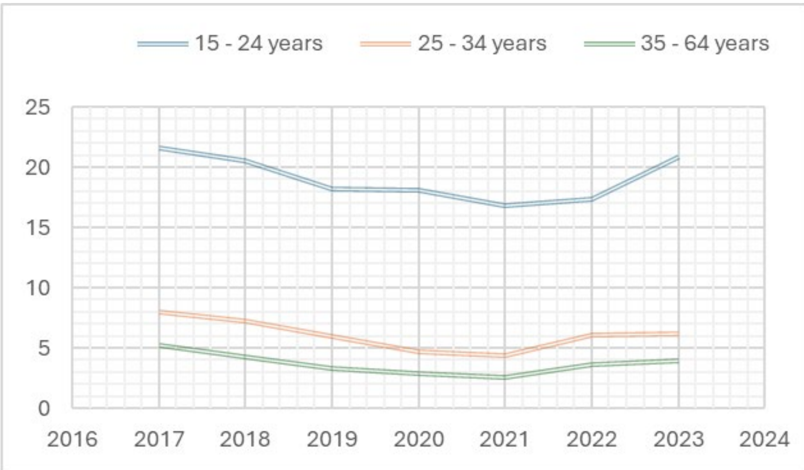


Source: Eurostat, National Institute of Statistics, PwC Analysis

The analysis shows that the largest share of inactive people in Romania is represented by high school graduates (30.6 %), by those with secondary and professional education (17.4 %). The states with the highest share of the inactive population are Italy with (34.6%), followed by Romania with (32.9%), Croatia with (30.2%), Estonia (18.7%), Sweden (15.8 %) and the Netherlands with (15.0 %).

The analysis of the unemployment rate in the period 2017 - 2023, reflects that in recent years there has been a downward trend, compared to other states of the European Union, thus we can highlight the fact that two out of 10 Romanian citizens between the ages of 15 and 24 are unemployed. The unemployment rate by age is highlighted in figure 4.

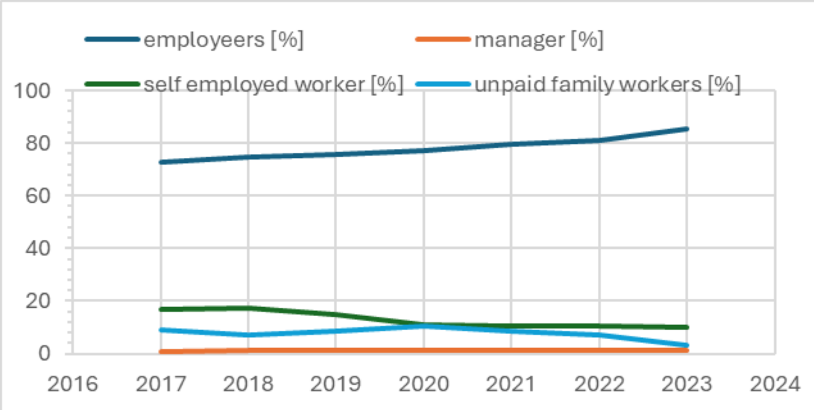
Figure no. 4. expressing the unemployment rate by age group



Source: Eurostat, European Commission, PwC Analysis

The revival of the economy registered in recent years has highlighted the fact that the share of self-employed workers as well as unpaid workers has decreased, so in the following table we can see the evolution by structure of the employed population in the period 2017 - 2023, as follows:

Figure no. 5. the share of categories of workers



Source: National Institute of Statistics, National Office of the Register and Trade, PwC Analysis

From the total active population, the distribution by activity sector at the end of 2023 is presented according to the following table:

Table no. 3.the share of the employed population by activity sector

Sector of activity	Total active population	Labor shortage	The share of vacant jobs
Manufacturing industry	27,15	17,59	0,8
Retail, auto repair	21,53	9,29	0,5
Health, social assistance	10,28	2,88	1,4
Construction	10,24	7,31	0,4
Education	8,51	0,99	0,4
Administrative services	7,36	11,06	0,9
Transport, storage	6,86	16,29	0,7
IT	5,15	11,60	1,2
Pablic administration and defense	4,98	3,27	2,7
Scientific and technical professional activities	4,44	6,17	0,5
Hotels and restaurants	4,17	3,33	0,4
Agriculture, forestry, fish, farming	3,0	0,70	0,4
Health and environment	2,51	3,15	1,2

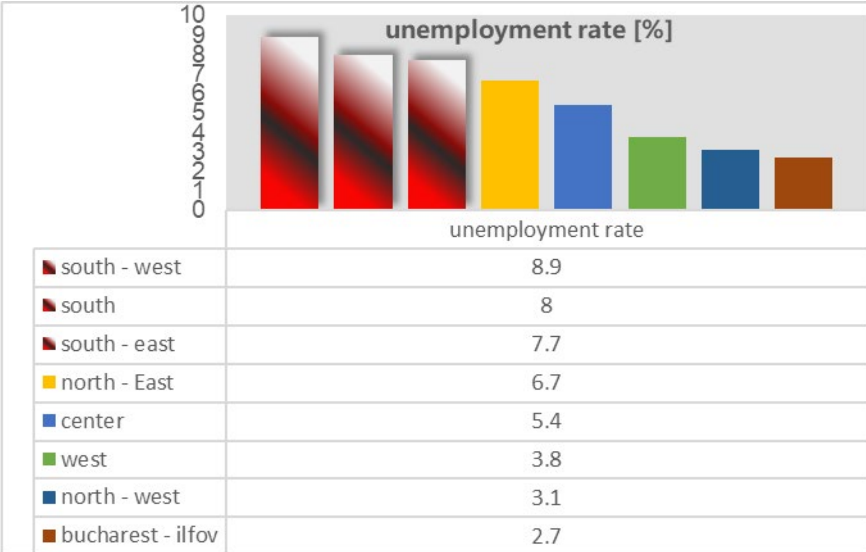
Financial insurance	2,14	2,09	0,7
Cultural activities	1,71	1,42	1,6
Energy and gas	1,28	2,47	1,2
Other service activities	1,25	0,15	0,2
Extractive industry	1,09	0,16	0,2
Real estate transactions	0,70	0,12	0,2

Source: National Institute of Statistics, PwC Analysis

It is observed that the largest share of the labor force deficit, 70%, is focused in Bucharest - Ilfov and counties, such as: Cluj, Timiș, Brașov, Sibiu, Prahova.

The unemployment rate at the end of 2023 by geographic region is presented as follows:

Figure no. 6. unemployment rate by geographic region

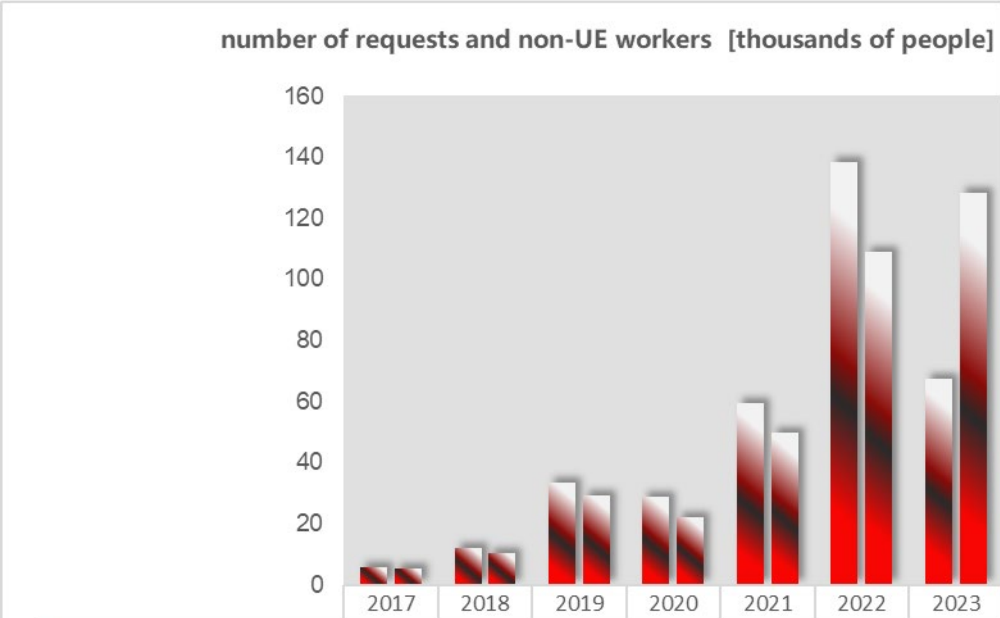


Source: National Institute of Statistics

4. FINDINGS

The shortage of workers and the degree of occupation of the labor market in recent years is mitigated to some extent by non-EU workers, thus in the period 2017 - 2023 the situation of non-EU workers is presented as follows:

Figure no. 7. representation of the number of non-EU workers



	2017	2018	2019	2020	2021	2022	2023
number of requests non -UE	5.6	12.1	33.6	28.7	59.6	138.4	67.6
number of workers non -UE	5.3	10.5	29.3	22.3	50.0	108.9	128.3

Source: GD substantiation note no. 968 / 2019 and HG no. 1448 / 2002, The General Inspectorate for Immigration, PwC Analysis

It is found that the requests for work permits of non-EU citizens in 2022 registered a five-fold increase compared to 2020, and at the end of 2023 the number of requests maintains its upward trend.

5. CONCLUSIONS

Given the labor deficit recorded at approximately 145,000 workers, but also a labor productivity of approximately 30,000 Euros, the impact in terms of the labor deficit, in terms of lost productivity is approximately 4.4 billion Euros at the end of 2023. All estimates indicates that by 2026 the estimated economic impact will reach 9.5 billion Euros. From the perspective of fiscal revenues to the state budget, associated with the workforce deficit, it is found that the budgetary impact is approximately 1.1 billion Euros, recorded at the end of 2023, but estimates indicate that it can reach around 2.4 billion Euros by the end of 2025.

It can be seen that in the analyzed period 2017 - 2023, the number of employees increased constantly, more significant values were recorded in 2019 compared to 2018, followed by a decrease in 2020, also generated by the effects of the COVID-19 crisis.

Although from the statistical data provided, it appears that in the period 2017 - 2021 an increase of approximately 400,000 employees was estimated, in reality there were approximately 150,000 additional employees, this fact is mainly due to the effects of the COVID-19 crisis, but also due to the effects of digitization of some sectors of activity.

The impact of the labor shortage is closely related to a multitude of qualitative and quantitative factors at the macroeconomic level, but also at the level of the business environment, so we can highlight the following aspects: the decrease in the rate of economic growth; inflationary pressures; opportunity costs; shocks on the supply chain side; pressures on public finances; the level of labor productivity; increasing costs for companies; reducing customer satisfaction

Thus we can say that in Romania the labor shortage problem can be remedied by implementing some schemes, such as: improving the flow of foreign workers; reducing the unemployment rate, especially among young people; prolonging active life; increasing employment among the inactive segment.

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